

## The Value of the “USA” Label on Retail Agricultural Products in Japan

Hikaru Peterson<sup>#</sup>, John Bernard<sup>§</sup>, and Sean Fox<sup>#</sup>

<sup>#</sup>Department of Agricultural Economics, Kansas State University

<sup>§</sup>Department of Food & Resource Economics, University of Delaware

## Country of Origin Labeling (COOL)

- Included in the 2002 farm bill, but not implemented

- Modified version in the new farm bill

House passes Farm Bill, COOL provisions seen as positive

By [Janie Gabbett](#) on 7/30/2007 for **Meatingplace.com**

The U.S. House of Representatives Friday passed a version of the 2007 Farm Bill the White House has threatened to veto, but many meat industry groups say a mandatory country-of-origin labeling provision included in the legislation is moving in the right direction.

The House COOL provisions create three categories of labeling: one that indicates product was born, raised and slaughtered in the United States; one that indicates product was not exclusively born, raised and slaughtered in the U.S.; and one that includes products entirely derived from foreign countries

## COOL elsewhere

Required in most of our export markets

According to a 2002-03 survey of agricultural attachés, of the 57 countries with which the U.S. trades, 46 required COOL for produce, and 41 required COOL for meats (U.S. General Accounting Office).

S. Korea to implement COOL for imported rice, beef

By [Tom Johnston](#) on 7/2/2007 for **Meatingplace.com**

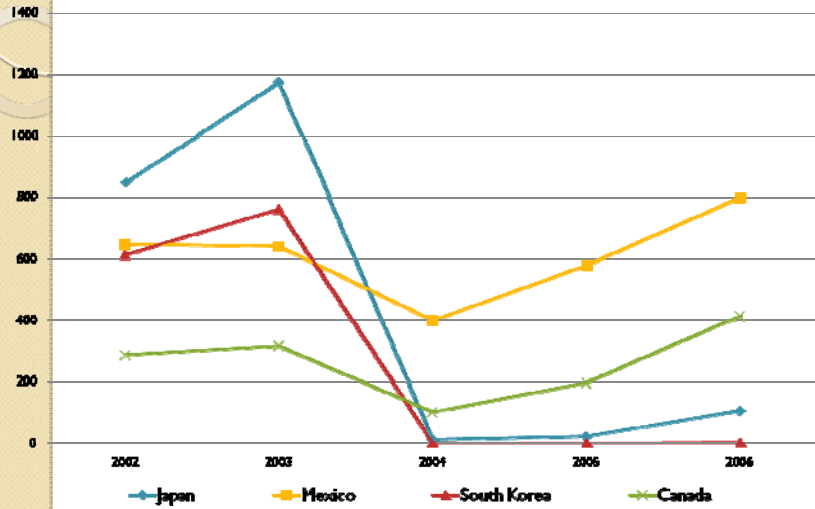
South Korean officials said Wednesday the country will enforce strict country-of-origin disclosure rules for imported rice and beef sold in local restaurants, *Yonhap* reported.

To take effect next year, the new rules would require all restaurants above certain floor space amounts to inform customers of the origin of rice and beef

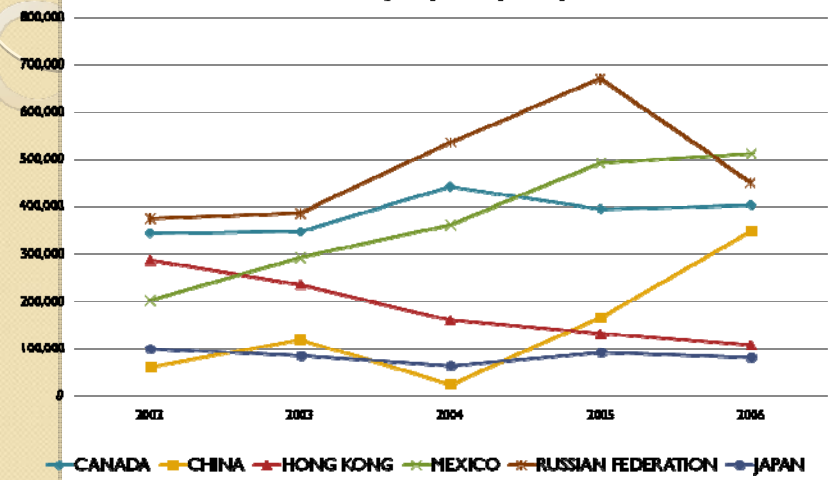
## Japan

- One of the largest value export markets for U.S. agriculture
  - Beef - largest market until BSE (\$1.2b in 2003)
  - Poultry - 6<sup>th</sup> largest market (\$100m in 2006)
  - Rice - 2<sup>nd</sup> largest after Mexico (\$170m in 2006)
  - Pork - largest market (\$1.0 b in 2006)
- Mandated COOL for all fresh foods in July 2000

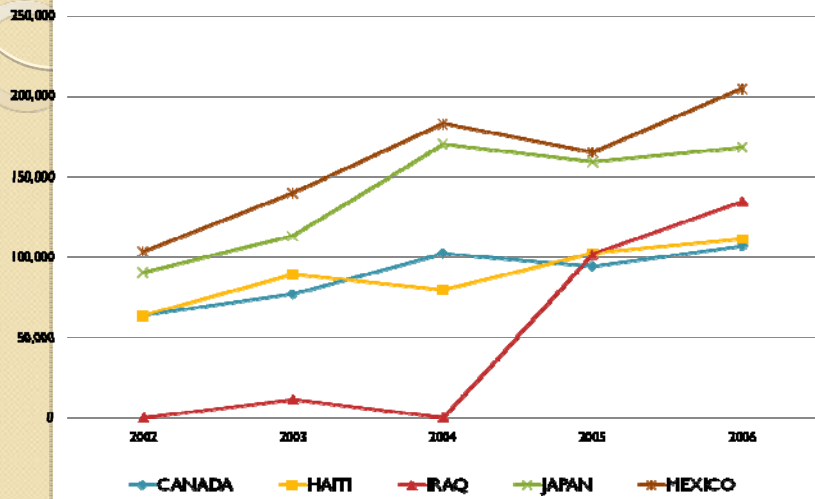
**US Beef Exports (\$ mill)**



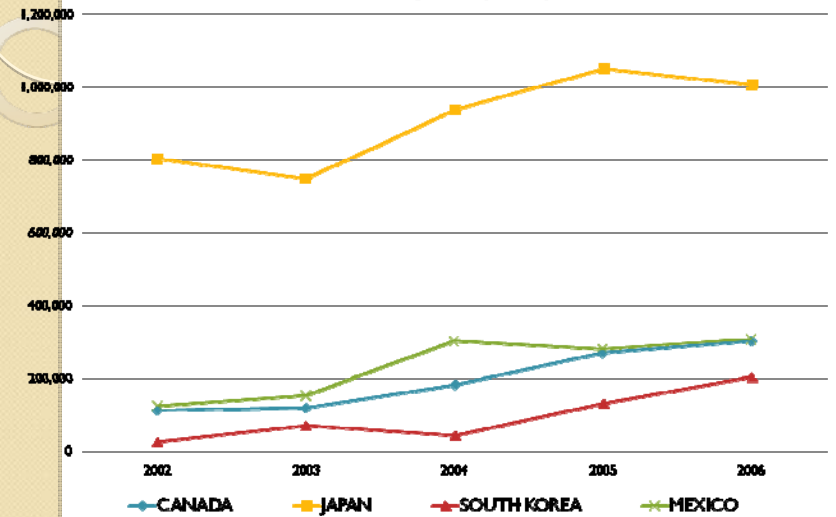
**US Poultry Exports (\$ 000)**



**US Rice Exports (\$ 000)**



**US Pork Exports (\$ 000)**



## Objectives

- Estimate Japanese consumers' willingness-to-pay (WTP) for US rice & pork relative to those from other countries
- Decompose the WTP into values associated with image and physical quality

## Methods

- 19 experimental auction sessions with 244 Japanese subjects in Nov-Dec 2006
- Locations: Kyoto (6 sessions)  
Shizuoka (6)  
Tokyo (7)
- Payment: ¥6,000 (≈ \$52) for 2 hours

## Locations



## Experimental auctions

- Six items auctioned per session
  - 3 packages (2kg) of rice simultaneously – from Japan, Australia, US
  - 3 packages (200g) of pork simultaneously – from Japan, Denmark, US
- Each auction had 3 rounds of bidding
  - 1<sup>st</sup> round – based on taste, no COOL info
  - 2<sup>nd</sup> round – new samples, no taste, COOL info provided
  - 3<sup>rd</sup> round – new samples, COOL information + taste
- One binding bid drawn at random to determine actual purchases
  - we used a candy bar auction to train participants
- Two auction methods:
  - n<sup>th</sup> price auction (9 sessions), sealed-bid English auction (10 sessions)

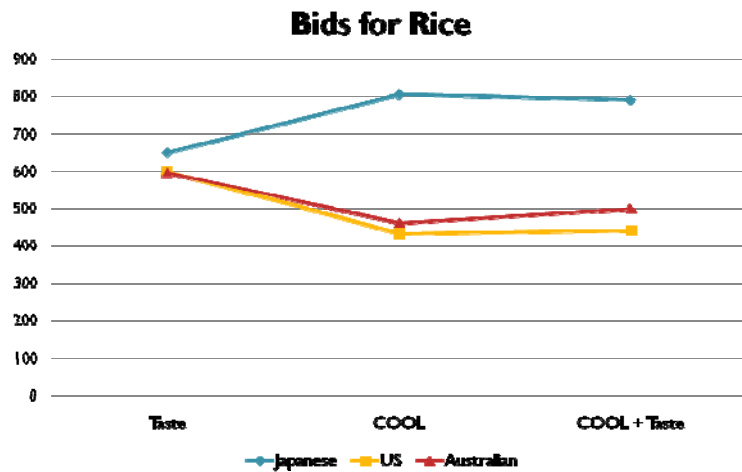
# Experimental auction



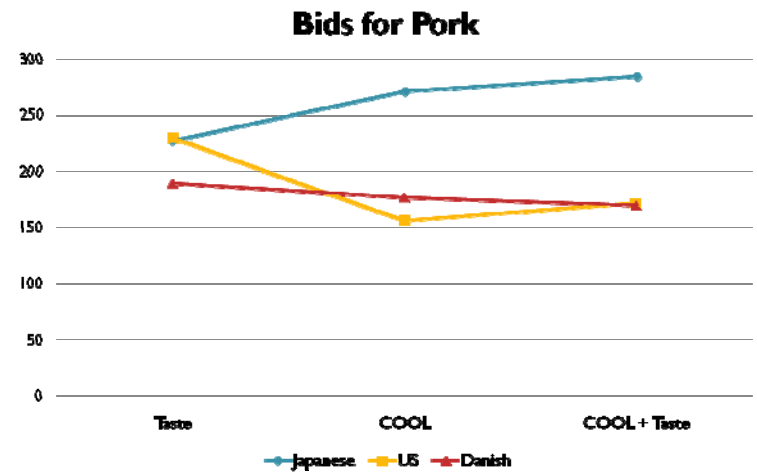
# Rice samples



# Bidding Results - Rice



# Bidding Results - Pork





## Findings

- For rice and pork, Japanese consumers could not differentiate US products from Japanese products without a label.
- The quality difference in Danish pork was perceivable without a label.
- Given origin information, bids for US and other foreign products collapsed. Bids for domestic products increased.



## Findings (cont.)

- Except for Danish pork, the bids for foreign products recovered somewhat after tasting
- Given COOL information, foreign products were considered inferior to domestic products with or without tasting.
- Demographics had minimal impact.
  - Older subjects and those with higher income bid higher for rice products but not for pork.